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Title: METHOD FOR DIRECTING AND EXECUTING CERTIFIED TRADING INTERESTS				
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**APPEAL BRIEF (PURSUANT TO 37 CFR 41.37)**

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### **Real Party in Interest**

The real party in interest is Pipeline Financial Group, Inc., of New York, New York.

### **Related Appeals and Interferences**

There are no other prior or pending appeals, interferences, or judicial proceedings known to appellant, appellant's legal representatives, or assignee that may be related to, directly affect, or be directly affected by or have a bearing on the Board's decision in the pending appeal.

### **Status of Claims**

Thirty eight claims (claims 1-38) were filed with this application. Subsequently, new claim 39 was added and claim 3 was canceled. Claims 1-2 and 4-39 are now pending and stand rejected. The rejections of claims 1-2 and 4-39 are being appealed.

### **Status of Amendments**

An amendment was filed on May 22, 2008 to present the rejected claims in better form for consideration on appeal by correcting typographical errors in claims 14, 17 and 18. The claim appendix reflects the amended claims.

### **Summary of Claimed Subject Matter**

Preferred embodiments of the subject invention overcome the limitations of known trading interest dissemination and execution systems by (1) enabling market participants to limit dissemination of trading interests to only those other market participants likely to have a significant contra-interest, (2) enabling market participants to ensure that other market participants' disseminated trading interests are legitimate, and (3) enabling auctions among trading interests targeted and validated in this manner. Software of a preferred embodiment identifies likely contra-interests by analyzing information from various sources regarding certified trading interests.

Claim 1 is directed to a computer-implemented method of managing market information, comprising the steps of: electronically receiving data including confidential information regarding market participants, wherein said data regarding market participants comprises data regarding a first market participant and a second market participant; electronically receiving an electronically executable order and targeting parameters from said first market participant; electronically receiving confidential trading interest information from said second market participant; identifying said second market participant as a market participant that is most likely to take a contra side of said electronically executable order and as unlikely to use information regarding said order in a manner that would affect the price or availability of said security, wherein said step of identifying is based, at least in part, on said received confidential information regarding market participants; and (e) routing said electronically executable order to said identified second market participant without revealing said first market participant's identity or other confidential information regarding said first market participant to said second market participant, and wherein no information regarding said second market participant or said

confidential trading interest information received from said second market participant is transferred to said first market participant. (Page 4, lines 9-21; page 6, lines 1-9; pages 14-20; page 23, lines 11-17).

Claim 2 is directed to a method as in claim 1, further comprising the step of producing a targeted dissemination list of market participants based, at least in part, on said received confidential information regarding market participants and said electronically executable order and targeting parameters, and wherein the step of identifying a second market participant that is most likely to take a contra side of said electronically executable order is based on said dissemination list. (Page 17, lines 11-31).

Claim 3 was canceled.

Claim 4 is directed to a method as in claim 1, wherein said confidential trading interest information comprises certified trading interest information. (Page 6, lines 1-8).

Claim 5 is directed to a method as in claim 1, wherein said confidential trading interest information comprises a time of a call. (Page 26, lines 2-19).

Claim 6 is directed to a method as in claim 1, wherein the step of identifying said second market participant is based on order size. (Page 17, lines 18-19).

Claim 7 is directed to a method as in claim 1, wherein the step of identifying said second market participant is based on execution size. (Page 17, lines 18-20).

Claim 8 is directed to a method as in claim 1, wherein the step of identifying said second market participant is based on price aggression. (Page 17, lines 27-31)

Claim 9 is directed to a method as in claim 1, wherein the step of identifying said second market participant is based on location. (Page 27, lines 19-25).

Claim 10 is directed to a method as in claim 1, wherein the step of identifying said second market participant is based on comparing the past behavior of market participants after they received notifications or orders. (Page 7, lines 4-18; page 15, lines 21-27; page 16, lines 3-19).

Claim 11 is directed to a method as in claim 1, wherein the step of identifying said second market participant is based on time of auction call. (Page 26, lines 2-19).

Claim 12 is directed to a method as in claim 1, wherein the step of identifying said second market participant is based on comparing the past behavior of market participants after

they received electronically executable orders. (Page 7, lines 4-18; page 15, lines 21-27; page 16, lines 3-19.).

Claim 13 is directed to a method as in claim 1, wherein the step of identifying said second market participant is based on time of most recent execution. (Page 17, lines 19-21; page 18, lines 1-2).

Claim 14 is directed to a method as in claim 2, wherein the step of producing a targeted dissemination list of market participants based on said stored data regarding market participants and said electronically executable order and targeting parameters is based on relations between said stored data not known to said first market participant. (Page 7, lines 19-31; page 38, lines 8-12).

Claim 15 is directed to a method as in claim 14, wherein said relations comprise information indicating that multiple data entries involve a same end party. (Page 38, lines 18-25).

Claim 16 is directed to a method as in claim 15, wherein the step of producing said targeted dissemination list comprises calculating the total number of shares bought or sold by said end party. (Page 38, lines 5-7).

Claim 17 is directed to a method as in claim 2, wherein the step of producing a targeted dissemination list of market participants based on said stored data regarding market participants and said electronically executable order and targeting parameters is based on data that is not available to any individual market participant, and wherein said step of producing a targeted dissemination list comprises aggregating data provided by a plurality of market participants. (Page 38, lines 5-12).

Claim 18 is directed to a method as in claim 2, wherein the step of producing a targeted dissemination list of market participants based on said stored data regarding market participants and said electronically executable order and targeting parameters is based on data that is not available to any individual market participant, and wherein said step of producing a targeted dissemination list comprises comparing data provided by a plurality of market participants. (Page 38, lines 5-12).

Claim 19 is directed to a method as in claim 17, wherein said step of aggregating data is based on data that is provided by a marketplace. (Page 27, lines 19-25).

Claim 20 is directed to a method as in claim 19, wherein said data that is provided by a marketplace is Automated Confirmation Transaction Service<sup>SM</sup> data and said marketplace is the Nasdaq Stock Market<sup>SM</sup>. (Page 5, lines 22-31).

Claim 21 is directed to a method as in claim 17, wherein said step of aggregating data is based on data that is provided by a plurality of participating broker-dealers. (Page 27, lines 19-25).

Claim 22 is directed to a method as in claim 18, wherein said step of comparing data provided by a plurality of market participants comprises the step of netting out middlemen to identify an end buyer and an end seller in a trade. (Page 38, lines 18-24).

Claim 23 is directed to a method of claim 17, wherein said step of aggregating data is based on data that comprises the identity of a buy-side party for which a trade was executed. (Page 38, lines 25-29).

Claim 24 is directed to the method of claim 18, wherein said step of comparing data provided by a plurality of market participants comprises the step of calculating the total number of shares bought or sold by a buy-side party for which a trade was executed through one or more intermediaries. (Page 38, lines 25-29).

Claim 25 is directed to a method as in claim 2, further comprising the steps of: ranking market participants on said targeted dissemination list in order of likelihood of taking the contra side of said electronically executable order; and if said identified second market participant does not execute said electronically executable order, successively routing said electronically executable order to the remaining market participants on said ranked targeted dissemination list, in order of likelihood of taking the contra side of said electronically executable order, until said electronically executable order is executed. (Page 18, lines 7-12).

Claim 26 is directed to a method as in claim 25, wherein said ranking is based on probability of execution. (Page 20, lines 1-20).

Claim 27 is directed to a method as in claim 26, wherein said probability of execution is calculated based on a count of number of orders delivered versus number of executions for different types of orders. (Pages 19-22).

Claim 28 is directed to a method as in claim 26, wherein said probability of execution is calculated based on comparing the past behavior of market participants after they received notifications or orders. (Page 19, lines 10-17; page 20, lines 1-20).

Claim 29 is directed to a method as in claim 26, wherein said probability of execution is calculated based on comparing the past behavior of market participants after they received electronically executable orders. (Page 19, lines 10-17; page 20, lines 1-27).

Claim 30 is directed to a method as in claim 26, further comprising the steps of monitoring price fluctuation following order delivery to a market center and identifying statistically significant correlations between order delivery events and subsequent price fluctuations on a market. (Page 19, lines 10-17).

Claim 31 is directed to a method of managing market information, comprising the steps of: electronically receiving data including confidential information regarding market participants; electronically storing said received data regarding market participants; electronically receiving an order-related query from a first market participant; based on said received data regarding market participants, calculating an estimate of a probability of execution if the order were routed to market participants based on said query; and electronically reporting said probability to said first market participant. (Page 6, lines 1-9; pages 15-23).

Claim 32 is directed to a method as in claim 31, wherein said probability of execution is calculated based on a count of number of orders delivered versus number of executions for different types of orders. (Pages 19-22).

Claim 33 is directed to a method as in claim 31, further comprising the step of electronically reporting an estimate of the price impact following the delivery of an order based on said query to said first market participant. (Page 15, line 28-page 16, line 5; page 23, lines 24-30).

Claim 34 is directed to a method of managing orders in a securities market, comprising the steps of: electronically receiving data comprising an electronically executable order from a first market participant; electronically storing said received data in a database; electronically receiving from a second market participant data comprising one or more conditions on orders; searching said database for electronically executable orders that satisfy said conditions; electronically designating electronically executable orders found in said search as being reserved, said designated electronically executable orders comprising said electronically executable order received from said first market participant; and electronically routing said designated electronically executable orders to said second market participant. (Page 25, lines 12-23).

Claim 35 is directed to the method of claim 34, further comprising the step of electronically receiving data comprising order status information from said second market participant. (Page 25, lines 24-29).

Claim 36 is directed to the method of claim 35, further comprising the step of reporting order execution to said first market participant if said order status information indicates that said electronically executable order received from said first market participant was executed. (Page 25, lines 24-29).

Claim 37 is directed to the method of claim 35, further comprising the step of removing the designation of being reserved from an order if said order status information indicates that the order was released by said second market participant. (Page 25, lines 24-29).

Claim 38 is directed to a method of managing orders in a market, comprising the steps of: electronically receiving data regarding a first market participant, said data comprising one or more call auction event times; electronically storing said received data regarding said first market participant; electronically receiving an electronically executable order from a second market participant; and routing said electronically executable order to said first market participant at a time within a configurable time window surrounding one of said one or more call auction event times. (Page 25, line 12-page 26, line 19).

Claim 39 is directed to a method as in claim 22, wherein said second market participant is a market maker, and wherein said step of comparing data provided by a plurality of market participants comprises the step of netting out middlemen to identify an end buyer and an end seller in a trade results in identifying net market position of said market maker. (Pages 14-17; page 38, lines 18-24).

### **Grounds of Rejection to Be Reviewed On Appeal**

(I) Whether claims 31-38 are properly rejected under 35 U.S.C. § 102(e) as being unpatentable over U.S. Patent Publication No. 2003/0004859 to Shaw (“Shaw”).

(II) Whether claims 1-2, 4-24 and 39 are properly rejected under 35 U.S.C. § 103(a) as unpatentable over Shaw in view of U.S. Patent No. 7,003,486 to Condamoor (“Condamoor”).

(III) Whether claims 25-30 are properly rejected under 35 U.S.C. § 103(a) as unpatentable over Shaw in view of Condamoor, and further in view of U.S. Patent No. 5,950,177 to Lupien (“Lupien”).

## **Argument**

The Office Action being appealed (Office Action mailed June 14, 2007, hereinafter “Office Action”) rejected pending claims 31-38 over Shaw, claims 1-2, 4-24 and 39 over Shaw in combination with Condamoor, and claims 25-30 over Shaw in view of Condamoor and Lupien. These rejections are not supported, and should be reversed.

### **A. Overview of Shaw and the Present Application**

There are significant differences between computerized trading systems, especially regarding what and when information is disclosed among system and market participants, and in which direction(s) the information flows. Distinctions in these information flows have a significant impact on the success of a trading platform. Both Harborside (the system described in Shaw) and Optimark (the system described in Lupien) failed. Embodiments of the present invention have been deployed, with tremendous growth and success, as Pipeline Trading Systems.

Shaw describes a system for identifying counterparties, and two methods for bringing counterparties together. In the first method (“intermediated negotiation”), a salesperson talks to a potential buyer and a potential seller and helps them negotiate a mutually-acceptable price. In the second method (“direct negotiation”), the system identifies two counterparties to each other, who can then negotiate directly with each other. One drawback of this system, which has not succeeded in the marketplace, is the potential for “gaming” by participants. For example, a participant may withdraw from a negotiation after receiving valuable information regarding a counterparty’s trading desires and then use that information to the counterparty’s detriment. This is a problem discussed in Applicants’ specification, beginning at page 1, line 29.<sup>1</sup>

In Applicants’ claimed invention, only an executable order (as compared to Shaw’s indications of interest which are not executable) from a first participant initiates the step of

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<sup>1</sup> Shaw attempts to address the gaming problem by using a “bond” (see par. 0176) to reduce the likelihood that a party would withdraw from a negotiation after a “synapse” (“the occurrence of matching counter-side interest indications” – see par. 0021). But as discussed below, this safeguard has loopholes.

identifying potential contras according to confidential information received from the potential contras. Thus, according to embodiments of the present invention, a firm commitment to a trade, in the form of an electronically executable order, is required from a first participant before potential contras are found by the system. Those potential contras never see the first participant's identity at all – they only accept or reject the routed order (or a portion thereof). Thus, potential contras provide their confidential information to the system only to attract orders. The confidential information is never provided to other market participants.

In stark contrast, Shaw teaches facilitating transactions by introducing market participants (i.e., revealing the identifies of each to the other) that have matching indications of interest for negotiations which may, or may not, lead to a completed transaction. Shaw only teaches matching of indications of interest, not executable orders. In order for the Shaw system market participants to complete a trade, each participant loses his or her anonymity and is specifically identified to the contraparty. Indication of interest information for the participant is also revealed when the parties begin a negotiation. If negotiations break down after the parties are introduced, both parties are free to leave the deal without forfeiting the “bond.” When this occurs, each party has lost anonymity and its indication of interest is known to the other party. This situation subjects a party to a risk that the contraparty will use the party's indication of interest information and identity to manipulate the market.

In other words, Shaw teaches a system for matching indications of interest only. Unlike the system recited in the claims of the present application, Shaw's system does not require electronically executable orders, and is thus more vulnerable to gaming abuse. Further distinctions between Shaw, the other cited references, and each of the claims of the present invention are discussed in more detail below.

B. Claims 31-38 are not properly rejected under 35 U.S.C. § 102(e) as being unpatentable over Shaw.

According to the Office Action, claims 31-38 are rejected under 35 U.S.C. § 102(e) as set forth in the previous office action mailed December 17, 2004. Since claims 31-37 are not addressed in the December 17, 2004 office action, the following discussion is related to the rejections of claims 31 and 34 specified in the office action mailed July 15, 2005, which is the only office action issued in the present application that discusses claims 31 and 34 in any detail. The rejection of claim 38 appears to be on page 6 of the office action mailed December 17, 2004.

In its rejection of claims 31 and 34, the office action mailed July 15, 2005 points to sections of Shaw (page 8, ¶¶ 142-146 and page 9, ¶¶ 156-161) as disclosing certain elements of claim 31:

“based on said received data regarding market participants, calculating an estimate of a probability of execution if the order were routed to market participants based on said query; and  
electronically reporting said probability to said first market participant.”

But neither of these portions of Shaw has any relevance to claims 31 and 34. Shaw at page 8, ¶¶ 142-146 describes a process of checking indications of interest for transactions (for collectibles or commodities) for duplications. Based on that check, the indications of interest are categorized as active or pending. Active indications are then compared to limits, which can be time or market price. Active indications with limits are stored in a monitor loop so that the limits of the order can be monitored. Interest indications with limits are searched to pair with another interest indication.

Shaw at page 9, ¶¶ 156-161 describes a process of matching indications of interest and transmitting an alert to a buyer’s agent and a seller’s agent when a pair of indications of interest is found. Information about the transaction is known to the transacting parties and their agents. These sections of Shaw also discuss splitting commodities on the same said of a transaction, so that if 900,000 shares are proposed for sale, two or three buyers may be matched that have indications of interest that sum to 900,000.

As can be readily seen, neither of these sections of Shaw (page 8, ¶¶ 142-146 and page 9, ¶¶ 156-161) has any relevance at all to the elements recited in claim 31: “calculating an *estimate of a probability of execution* if the order were routed to market participants based on said query; and electronically *reporting said probability* to said first market participant.” Instead, these sections of Shaw are simply related to matching indications of interest for a transaction. There is no calculation described in Shaw for an estimate of a probability of execution, and no such calculation is reported in a first market participant. Thus, the 35 U.S.C. § 102(e) rejection of claim 31 is improper.

Dependent claims 32 and 33, which include all of the elements of claim 31, are also improperly rejected under 35 U.S.C. §102(e) for the reasons discussed herein with respect to

claim 31. Claim 32 further recites a probability of execution calculation. Claim 33 further recites reporting an estimate of a price impact. Neither of these limitations is described in Shaw. Thus, the rejections of claims 32-33 are improper and should be withdrawn.

With respect to claim 34, the office action mailed July 15, 2005 groups claims 31 and 34 together, and rejects claim 34 using the same citations to sections of Shaw (page 8, ¶¶ 142-146 and page 9, ¶¶ 156-161). This grouping of claims 31 and 34 in the office action mailed July 15, 2005 was made despite the fact that claim 34 has several limitations that differentiate it from claim 31.

Claim 34 recites:

- A method of managing orders in a securities market, comprising the steps of:
- (a) electronically receiving data comprising an electronically executable order from a first market participant;
  - (b) electronically storing said received data in a database;
  - (c) electronically receiving from a second market participant *data comprising one or more conditions on orders*;
  - (d) searching said database for electronically executable orders that satisfy said conditions;
  - (e) *electronically designating electronically executable orders found in said search as being reserved*, said designated electronically executable orders comprising said electronically executable order received from said first market participant; and
  - (f) *electronically routing said designated electronically executable orders* to said second market participant.

Claim 34 specifically requires receiving a firm electronically executable order from a first market participant and receiving from a second market participant data comprising one or more conditions on orders. Then a database is searched for electronically executable orders that satisfy the conditions. As discussed herein, Shaw only discusses matching indications of interest, which are not electronically executable orders. Further distinguishing claim 34 from Shaw are the claim limitations that require “electronically *designating* electronically executable orders found in said search as being reserved, said designated electronically executable orders comprising said electronically executable order *received from said first market participant*; and electronically routing said designated electronically executable orders to said second market participant.” There is no discussion in Shaw of designating a first participant’s order as reserved (Shaw only discusses matching indications of interests, not orders), furthermore, for the sake of

argument only, even if Shaw taught executable orders, or indications of interests could be analogized to executable orders, there is also no discussion in Shaw of designating an indication of interest as reserved.<sup>2</sup> When indications of interest are matched in Shaw, the relevant parties are notified. There is no designation of an indication of interest as being reserved or anything else. Thus, the rejection of claim 34 under 35 U.S.C. § 102(e) is unsupported and should be withdrawn.

Dependent claims 35-37, which include all of the elements of claim 34 are also improperly rejected under 35 U.S.C. §102(e) for the reasons discussed herein with respect to claim 34 and also should be withdrawn.

Claim 38 stands rejected via the office action mailed December 17, 2004, which on page 6 cites Shaw, page 4, ¶50, page 5, ¶71-79, page 6-7, ¶101, page 7, ¶ 122 to page 8, ¶142, page 9, ¶162 to page 10, ¶170-175 as discussing: “one or more call auction event times, electronically storing said received data regarding said first market participant, electronically receiving an order from a second market participant, routing said order to said first market participant at a time within a configurable time window surrounding one of said one or more call auction event times.” Essentially the same long string of citations to Shaw was used in the office action mailed December 17, 2004 as support for rejecting a wide range of different claim elements. (See office action mailed December 17, 2004, pages 3-6).

As mentioned above, Shaw describes a system for matching indications of interest. None of the embodiments described in Shaw relate to an auction or any pooling of orders. As such, no call auction event times data is used or described in Shaw. There is also no discussion in Shaw of routing an electronically executable order to a market participant at a time within a configurable time window surrounding one of the one or more call auction event times.

Claim 38 is directed to electronically executable orders, which, as described above, are not disclosed in Shaw. Claim 38 also specifies a call auction event time and routing an electronically executable order to a participant at a time within a configurable time window

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<sup>2</sup> Applicants do not concede that indications of interest are analogous with executable orders. For example, indications of interest cannot be executed.

surrounding one of the call auction event times. Shaw does not describe any auction elements, and thus does not describe the elements of claim 38. The 35 U.S.C. § 102(e) rejection of claim 38 over Shaw is unsupported and should be withdrawn.

C. Claims 1-2, 4-24 and 39 are improperly rejected under 35 U.S.C. § 103(a) as unpatentable over Shaw in view of Condamoor.

In the Office Action, claims 1-2, 4-24, and 39 are improperly rejected under 35 U.S.C. § 103(a) as being unpatentable over Shaw in view of Condamoor.

I. Claim 1

Claim 1 was first rejected in the office action mailed December 17, 2004 as unpatentable under 35 U.S.C. § 102(e) over Shaw. In the following office action mailed July 15, 2005, the same rejection of claim 1 remained. In the third office action mailed December 20, 2005, claim 1 was newly rejected under 35 U.S.C. § 103(a) as being unpatentable over Shaw in view of Buist (U.S. Patent Publication No.: 20020035534). The fourth office action mailed September 20, 2006 rejected claim 1 under 35 U.S.C. § 103(a) as being unpatentable over Shaw, this time in view of Condamoor. The current Office Action points to the prior office actions as supporting its rejection of claim 1. The rejection of claim 1 is improper for at least the following reasons.

Claim 1 is directed to a method that solves the preference revelation problem (which is how to get a party to reveal their true intentions when they would normally not do so, thereby increasing their chances of attracting/finding potential contras) through a specific flow of information. Claim 1 specifically recites electronically executable orders, which the Patent Office mistakenly analogizes to Shaw's indications of interest. Systems that support financial or other trades typically require entry and exchange of certain types of information, such as some type of indication of interest. The greater the amount of information that is made publicly available to market participants, the greater the likelihood that market participants can take advantage of other market participants' indications of interest.

In Shaw's system, indications of interest are confidentially matched between market participants and when a match exists, the parties are informed of the match and a negotiation can take place between the parties which could lead to a final completed transaction. (Shaw, Abstract). Since there is no obligation to complete a transaction upon the exchange of information in Shaw, one market participant can change its position to take advantage of the

information learned from another market participant. This can adversely affect market participants' perceptions of what constitutes fair prices and fair dealings in a market.

The invention of claim 1 is directed to a method that makes it possible for a first participant to confidentially disclose his or her trading interest information to a system, knowing that the system will not forward the information to another trader without the trading interest information leading to an executed trade. The first participant can enter an electronically executable order that will be routed to a second participant identified as most likely to take a contra side of the electronically executable order and as unlikely to use information regarding the order in a manner that would affect price or availability of a security. The electronically executable order is routed to the second participant without revealing the first market participant's identity or other confidential information to the second participant, and the first participant is not transferred any information regarding the second market participant.

The Office Action refers to the prior office actions as supporting its rejection of claim 1 and also to Shaw, page 4, ¶48-50 and page 5, ¶72-79 as describing the claim 1 limitation: "identifying said second market participant as a market participant that is most likely to take a contra side of said electronically executable order and as unlikely to use information regarding said order in a manner that would affect the price or availability of said security". This citation roughly corresponds to element (d) of claim 1 which recites, in its entirety:

(d) identifying said second market participant as a market participant that is most likely to take a contra side of said electronically executable order and as unlikely to use information regarding said order in a manner that would affect the price or availability of said security, wherein said step of identifying is based, at least in part, on said received confidential information regarding market participants.

In accordance with this limitation, a second market participant is identified as *most likely to take a contra side of said electronically executable order and as unlikely to use information regarding said order in a manner that would affect the price or availability of said security*. Furthermore, the identifying step is based, at least in part, *on said received confidential information regarding market participants*.

The sections of Shaw (page 4, ¶¶ 48-50 and page 5, ¶¶ 72-79) identified in the Office Action as describing element (d) relate only to matching indications of interest between a potential buyer and a potential seller. For example, Shaw, ¶48 states: "anonymously comparing

indications of interest received from potential buyers with indications of interest from potential sellers ...to *determine whether a match has occurred*; identifying counterparties to a transaction based on said *determination of whether a match has occurred*; notifying the counterparties ... *that a match has occurred*.” The remaining sections cited in support of the claim 1 rejections are Shaw, ¶50 which recites a similar embodiment to ¶48 and Shaw page 5, ¶72-79 which is a definition list of transaction details that do not relate to identifying any aspect of a market participant.

Again, all that Shaw describes is determining whether a match of indications of interest occurs and notifying the counterparties of the match. There is no further analysis of indications of interest and parties in Shaw that could identify a counterparty as likely to take a contra side of an order and as unlikely to use information regarding the order in a manner that would affect price or availability of a security. In the Shaw system, counterparties are identified to the other regardless of any confidential party information that could point to a party being, for example, likely to follow through and execute an order, and unlikely to abuse the information received when indications of interest are matched and made known to the counterparty. Indeed, one of the deficiencies of the Shaw system is that parties using the Shaw system run the risk of having their indications of interest made known to gamers or market players who could use the indication of interest information to take advantage of market prices.

Claim 1 specifically recites “identifying said second market participant as a market participant that is most likely to take a contra side of said electronically executable order and as unlikely to use information regarding said order in a manner that would affect the price or availability of said security, wherein said step of identifying is based, at least in part, on said received confidential information regarding market participants,” which is not described in Shaw, as explained above. For at least this reason, the rejection of claim 1 is unsupported and should be withdrawn.

With respect to element (e) of claim 1, the office action mailed September 20, 2006 states that “Shaw does not disclose wherein no information regarding said second market participant or confidential trading information received from said second market participant is transferred to said first market participant. Condamoor teaches an electronic trading system wherein no information regarding said second market participant or confidential trading information received from said second market participant is transferred to said first market participant,”

citing to Condamoor col. 6, lines 10-20 and col. 8, lines 25-32. The relevant element from claim 1 is:

(e) routing said electronically executable order to said identified second market participant without revealing said first market participant's identity or other confidential information regarding said first market participant to said second market participant, and wherein no information regarding said second market participant or said confidential trading interest information received from said second market participant is transferred to said first market participant.

Condamoor, col. 6, lines 10-20 states:

The invention enables a multi-party trading scenario. A multi-party trading system is identified as one in which there are multiple trading partners each belonging to a service category and providing or consuming one or more trading elements of that or of other service categories. The trade involves multiple trading elements where each element is valued in different dimensions of attributes.

This portion of Condamoor only discusses a "multi-party trading scenario."

Col. 8, lines 25-32 of Condamoor states:

Each Trade Agent is aware of the True Value that its Trading Partner ascribes to a given trading element and uses this information to make decisions about participating in a deal. Each Trade Agent keeps this information about the True Values confidential from the exchange and from all other trading partners and only discloses this information to selected trading partners if authorized to do so by the Trading Partner.

This portion of Condamoor teaches only that Agents do not disclose information about True Value to the market and only disclose the information to selected authorized market partners. This section does not discuss routing an electronically executable order to a partner without revealing information on either side of the order. Even if it were proper to combine Shaw and Condamoor, which is not conceded, the combination would result in a system in which agents place indications of interest in a system, the indications of interest are matched, and then confidential information about True Values could be used to determine whether to participate in a deal, i.e., the indication of interest. This combination would result in a pre-execution information leak that could be used to manipulate the market. In addition to its weaknesses as a market system, the combination does not disclose element (e) of claim 1. Element (e) specifically states that orders are routed "without revealing said first market participant's identity

or other confidential information regarding said first market participant to said second market participant,” and “no information regarding said second market participant or said confidential trading interest information received from said second market participant is transferred to said first market participant.” In Condamoor, confidential information about True Values can be disclosed to authorized trading partners. Once again, information leakage can result in harm to the party indicating a trading interest.

Thus, for at least the above reasons, the rejection of claim 1 over the combination of Shaw and Condamoor is not supported and should be withdrawn.

## II. Dependent claims 2, 4-24, and 39

Claims 2, 4-24, and 39, each of which depends from claim 1, are also improperly rejected for the reasons discussed in connection with claim 1, and the reasons described herein for each dependent claim.

Although the current Office Action states that claims 2, 4-24, and 39 stand rejected under 35 U.S.C. § 103(a) in view of the combination of Shaw and Condamoor, the Office Action points to the previous office action mailed December 17, 2004 as detailing the rejections of those claims. But in the December 17, 2004 office action, these claims are rejected under 35 U.S.C. § 102(e) over Shaw alone.

According to the December 17, 2004 office action, claim 2 is allegedly disclosed by Shaw, page 5, ¶ 71-79, pages 6-7, ¶101, and page 7, ¶122 through page 8, ¶142. Claim 2 is directed to “producing a targeted dissemination list of market participants based, at least in part, on said received confidential information regarding market participants and said electronically executable order and targeting parameters, and wherein the step of identifying a second market participant that is most likely to take a contra side of said electronically executable order is based on said dissemination list.” Thus, according to claim 2, a targeted dissemination list is produced. A targeted dissemination list is a list of market participants for disseminating orders, discussed in the Application, for example, on page 10, and FIG. 3.

As discussed above, the Shaw system only performs matching of indications of interest. There is no description in Shaw of producing a targeted dissemination list of any kind, much less one that is based on confidential information. The sections of Shaw cited in the office action mailed December 17, 2004 as relevant to claim 2 include the following excerpts, none of which describe any kind of dissemination list.

Shaw, page 5, ¶71-79 mentions a definition list of the following terms: Transaction Interest, Item of Transaction Interest, Transaction Interest Indication, Transaction Interest Information, Special Parameters, Contingent Factors of Interest, and Order to Transact (which is “a set of instructions from a principal directing that a transaction in a certain item be actively initiated and pursued. A transaction order may be given to an agent, or committed directly, to any number of exchange or marketplace mechanisms.”)

Shaw, pages 6-7, ¶101:

Database tables relating to system users include a table 156 listing the authorized users, a table 158 containing user identification codes, a table 160 including contact information provided by the users, and a table 162 containing user alert instructions. In addition, several tables are provided for use in auditing the system, including a table 164 of login events, an indication entry table 166 for the prospective transaction entries, a pair-off table 168 for recording the matches of entries, and a table 180 recording the deleted entries.

Shaw page 7, ¶122 through page 8, ¶142 is a twenty paragraph citation which describes a process for screening transactional interests for active and pending modes, including scanning for duplicates, and different states of the interest indications (activated, with limits, and others). As can be readily seen, none of these sections of Shaw describe a dissemination list. Thus, the rejection of claim 2 over the cited references is unsupported and should be withdrawn.

The office action mailed December 17, 2004 also appears to be the basis for rejections of claims 4-24. The rejections are essentially identical for each claim. The office action mailed December 17, 2004 points to the same forty plus paragraph string of citations in Shaw (page 4, ¶50, page 5, ¶¶71-79, pages 6-7, ¶101, page 7, ¶122 through page 8, ¶ 142, and page 9 ¶ 162 through page 10, ¶177) as disclosing each of claims 4-24. Despite applicants’ requests for a more precise rejection of the claims made in the responses to office actions mailed April 27, 2005, and March 20, 2007, no detailed rejections of claims 4-24 have been provided. In the absence of detailed rejections, applicants are forced to guess where in the forty paragraphs an alleged disclosure of the claims lies.

With respect to claim 4, Shaw does not mention a certified trading interest, as recited in the claim. For claim 5, no time of call is used in Shaw with respect to confidential trading interests.

With respect to claims 6-13, which relate to element (d) of claim 1: “identifying said second market participant as a market participant that is most likely to take a contra side of said electronically executable order and as unlikely to use information regarding said order in a manner that would affect the price or availability of said security...” Since, as described above with respect to claim 1, Shaw only matches indications of interest and does not discuss identifying a second market participant in any manner, Shaw does not discuss identifying the second market participant in any of the ways recited in claims 6-13. More particularly, Shaw does not discuss identifying a second market participant based on price aggression (claim 8), location of participants (claim 9), past behavior (claims 10 and 12), time of auction call (claim 11), and time of most recent execution (claim 13).

Claims 14-24 and 39, each of which ultimately depends from claim 2, relate to a step of producing a targeted dissemination list. As discussed in reference to claim 2, Shaw does not discuss producing a targeted dissemination list of market participants.

The office action mailed December 17, 2004 points to Shaw, page 2, ¶27 as disclosing the elements of claims 14-15. This section of Shaw states:

To achieve these and other objects, there is provided a secure system for treating fungible commodities. The system has a network including a secure station and a plurality of remote user terminals having respective user identities and communicatively linked to the secure station for data transmission between the secure station and the user terminals. A memory of the secure station stores user data including the user identities, and stores transaction data in the form of multiple prospective transaction entries received from the user terminals. Each entry includes a fungible item indication and a transaction side indication identifying one of two opposing transaction sides. A search component is operatively coupled to the memory and adapted to perform a comparison of the stored entries with respect to the fungible item indications and the transaction side indications. Based on that comparison, the search component selects sets of two or more stored entries as matching entries having the same fungible item indication and together including transaction side indications identifying the opposing transaction sides. A message sending component is operatively associated with the search component and the memory. The message sending component is adapted, in response to the selection of each set of matching entries, to generate a prospective transaction message including the transaction indication and the user identity corresponding to each of the matching entries. The message sending component further is adapted to provide the prospective transaction message to the user terminals associated with the corresponding user identities, thus to facilitate an interaction among users associated with the user identities to complete a transaction involving the fungible item. A data security component is provided for restricting access to any given prospective transaction entry stored in

the memory to (i) the user identity corresponding to the given entry; and (ii) the user identities corresponding to the other entries in any of the sets of entries that includes the given entry. (Shaw, page 2, ¶27).

As can be seen, this section of Shaw only describes making a match and sending a message to a single matched user corresponding to each of the matching entries in a pair about the matched transaction. There is no discussion in this excerpt of producing a dissemination list.

Claims 16-24 are each rejected per the office action mailed December 17, 2004 using the same forty plus paragraph string of citations in Shaw (page 4, ¶50, page 5, ¶¶71-79, pages 6-7, ¶101, page 7, ¶122 through page 8, ¶ 142, and page 9 ¶ 162 through page 10, ¶175). As mentioned herein, these claims relate to producing a dissemination list, which is not described in Shaw.

Claim 39 stands rejected per the Office Action (page 3-4) under 35 U.S.C. §103(a) as being taught by Condamoor, col. 1, lines 20-50. Claim 39 is directed to a method wherein the “second market participant is a market maker, and wherein said step of comparing data provided by a plurality of market participants comprises the step of netting out middlemen to identify an end buyer and an end seller in a trade results in identifying net market position of said market maker.” The relevant excerpt from Condamoor states:

In an electronic exchange buyers and sellers set prices for items to be purchased or sold. Exchanges have a mechanism that matches up buyers and sellers and establishes a market-clearing price for the item being bought or sold. Buyers buy the product at the market price and sellers sell the product at the market price. The market-clearing price is dynamic and set by market supply and demand conditions. The price is influenced by dynamic negotiations among buyers and sellers and other market conditions.

Exchanges today facilitate trade by enabling buyers, sellers, and other trade participants, who could otherwise not have participated in the trades, to take part in the trade. This is done by providing market liquidity where buyers can find sellers and sellers can find buyers. In addition, a common information base is provided so that sellers and buyers can understand each other, by providing settlement and fulfillment services that the trading partners can use to consummate the deal.

In several electronic exchanges, aggregation is used to group buyers with similar buying interest or sellers with similar selling interests to enable them to participate in trades in which they would not have qualified to participate in individual capacity. For instance, a buyer requiring 5 pounds of sugar may not be able to participate if all the sellers in the sugar exchange sell a only a minimum of

1000 pounds. Aggregating buyers or sellers on these exchanges gives the aggregated or "virtual" buyer or seller greater leverage in negotiating with the other parties and thus establishing prices more favorable to the aggregated virtual party. Thus, aggregation allows buyers or sellers who may otherwise not have participated in the trade to participate in the trade on terms favorable to them and thus creates value for the aggregated set of trading partners. (Condamoor, col. 1, lines 20-50).

This section of Condamoor describes exchanges that facilitate trades by collecting information in a common base so that participants can understand each other, providing fulfillment services, and also aggregating trades which provides buyers and sellers greater leverage in negotiations. As a preliminary matter, this excerpt is not relevant to producing a dissemination list. Furthermore, this excerpt does not describe a market maker or any method for identifying net market positions of a market maker by comparing data provided by market participants to net out middleman, as recited in claim 39. Instead the excerpt only discusses aggregating trades. Condamoor does not discuss identifying net market positions as required by claim 39. Thus, the rejection of claim 39 is unsupported.

For at least the reasons discussed herein, the rejections of the dependent claims 2, 4-24, and 39 are unsupported and should be withdrawn.

D. Claims 25-30 are improperly rejected under 35 U.S.C. § 103(a) as unpatentable over Shaw in view of Condamoor and Lupien

The Office Action refers to the office action mailed December 17, 2004 as supporting the rejection of claims 25-30 over the combination of Shaw, Condamoor, and Lupien. The office action mailed December 17, 2004 at pages 6-7 states that Shaw does not disclose the elements of claim 25, but erroneously alleges that Lupien teaches the elements of claim 25. The office action mailed December 17, 2004 points to Lupien, col. 3, line 49 to col. 4, line 51 as relevant to claims 25-27. No specific rejection of claims 28-30 could be found in any of the office actions issued in the present application.

Claim 25 recites: a method as in claim 2, further comprising the steps of:

- (a) ranking market participants on said targeted dissemination list in order of likelihood of taking the contra side of said electronically executable order; and
- (b) if said identified second market participant does not execute said electronically executable order, successively routing said electronically executable order to the remaining market participants on said ranked targeted

dissemination list, in order of likelihood of taking the contra side of said electronically executable order, until said electronically executable order is executed.

As a preliminary matter, as discussed above, no targeted dissemination list is taught by Shaw or Condamoor. Furthermore, Lupien does not teach ranking market participants on a list in order of likelihood of taking a contra side of an electronically executable order as required by claim 25. Columns 3 and 4 of Lupien are a summary of the invention and describe a trader's satisfaction density profile that is created based on trader-entered data. The satisfaction density profile can be a two- or three-dimensional grid based on trader entered data for price, size of transaction, and degree of satisfaction for each price and size. This satisfaction density profile is submitted to a central matching controller and used to match buy and sell orders by calculating a mutual satisfaction cross product for buy/sell pairs.

[T]he mutual satisfaction cross products for all buy/sell combinations are ranked in order, starting with the highest value of mutual satisfaction. The buy/sell orders represented by the ranked grid values of the mutual satisfaction cross products are then matched in order, and matching trades are aggregated by the CMC system. The matching process then continues down the ranked list. (Lupien, col. 4, lines 24-31).

In Lupien, the only ranking in this excerpt is for mutual satisfaction, which is not analogous to a likelihood of taking the contra side of an electronically executable order as recited in claim 25. Furthermore, Lupien does not discuss the second element of claim 25 of successively routing an electronically executable order to market participants on the ranked targeted dissemination list. Instead, Lupien only describes aggregating matching trades and continuing to aggregate matched trades down the ranked list. Lupien does not discuss successive routing of orders to remaining market participants on a ranked dissemination list, in order of likelihood of taking the contra side of an electronically executable order until the order is executed, as required by claim 25. In Lupien, all trades are presumably matched, whereas claim 25 requires successive routing of an order based on a rank order on a list until the order is executed.

Consequently, the rejection of claim 25 is unsupported and should be withdrawn. The rejections of claims 26-30 which depend from claim 25 are also unsupported and should be withdrawn for the same reasons discussed in respect of claim 25.

With respect to claims 26 and 27, the office action mailed December 17, 2004 cites to the same summary section of Lupien discussed above as supporting the rejection of claims 26 and 27. The excerpt of Lupien relating to its satisfaction density profile does not use probability of execution in its matrix. Thus, claims 26 and 27 are not taught by Lupien.

As mentioned above, no specific rejection of claim 28-30 has been entered in any of the office actions issued in the present application. Applicants respectfully submit that each of these claims are allowable over the references cited against the other pending claims in the present application.

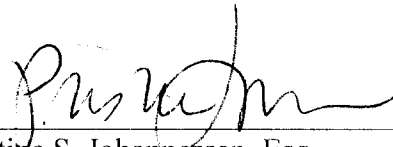
For the reasons discussed herein, the rejections of claims 25-30 are unsupported and should be withdrawn.

E. Conclusion

For the reasons discussed herein, all claim rejections for claims 1-2 and 4-39 are improper and should be withdrawn. It is therefore respectfully requested that the Board of Patent Appeals and Interferences reverse the rejection of these claims.

Please charge all required fees for this Appeal Brief to Deposit Account No. 50-0310.

Respectfully submitted,



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## Claims Appendix

1. A computer-implemented method of managing market information, comprising the steps of:
  - (a) electronically receiving data including confidential information regarding market participants, wherein said data regarding market participants comprises data regarding a first market participant and a second market participant;
  - (b) electronically receiving an electronically executable order and targeting parameters from said first market participant;
  - (c) electronically receiving confidential trading interest information from said second market participant;
  - (d) identifying said second market participant as a market participant that is most likely to take a contra side of said electronically executable order and as unlikely to use information regarding said order in a manner that would affect the price or availability of said security, wherein said step of identifying is based, at least in part, on said received confidential information regarding market participants; and
  - (e) routing said electronically executable order to said identified second market participant without revealing said first market participant's identity or other confidential information regarding said first market participant to said second market participant, and wherein no information regarding said second market participant or said confidential trading interest information received from said second market participant is transferred to said first market participant.
2. A method as in claim 1, further comprising the step of producing a targeted dissemination list of market participants based, at least in part, on said received confidential information regarding market participants and said electronically executable order and targeting parameters, and wherein the step of identifying a second market participant that is most likely to take a contra side of said electronically executable order is based on said dissemination list.
3. Canceled.

4. A method as in claim 1, wherein said confidential trading interest information comprises certified trading interest information.

5. A method as in claim 1, wherein said confidential trading interest information comprises a time of a call.

6. A method as in claim 1, wherein the step of identifying said second market participant is based on order size.

7. A method as in claim 1, wherein the step of identifying said second market participant is based on execution size.

8. A method as in claim 1, wherein the step of identifying said second market participant is based on price aggression.

9. A method as in claim 1, wherein the step of identifying said second market participant is based on location.

10. A method as in claim 1, wherein the step of identifying said second market participant is based on comparing the past behavior of market participants after they received notifications or orders.

11. A method as in claim 1, wherein the step of identifying said second market participant is based on time of auction call.

12. A method as in claim 1, wherein the step of identifying said second market participant is based on comparing the past behavior of market participants after they received electronically executable orders.

13. A method as in claim 1, wherein the step of identifying said second market participant is based on time of most recent execution.

14. A method as in claim 2, wherein the step of producing a targeted dissemination list of market participants based on said stored data regarding market participants and said electronically executable order and targeting parameters is based on relations between said stored data not known to said first market participant.

15. A method as in claim 14, wherein said relations comprise information indicating that multiple data entries involve a same end party.

16. A method as in claim 15, wherein the step of producing said targeted dissemination list comprises calculating the total number of shares bought or sold by said end party.

17. A method as in claim 2, wherein the step of producing a targeted dissemination list of market participants based on said stored data regarding market participants and said electronically executable order and targeting parameters is based on data that is not available to any individual market participant, and wherein said step of producing a targeted dissemination list comprises aggregating data provided by a plurality of market participants.

18. A method as in claim 2, wherein the step of producing a targeted dissemination list of market participants based on said stored data regarding market participants and said electronically executable order and targeting parameters is based on data that is not available to any individual market participant, and wherein said step of producing a targeted dissemination list comprises comparing data provided by a plurality of market participants.

19. A method as in claim 17, wherein said step of aggregating data is based on data that is provided by a marketplace.

20. A method as in claim 19, wherein said data that is provided by a marketplace is Automated Confirmation Transaction Service<sup>SM</sup> data and said marketplace is the Nasdaq Stock Market<sup>SM</sup>.

21. A method as in claim 17, wherein said step of aggregating data is based on data that is provided by a plurality of participating broker-dealers.

22. A method as in claim 18, wherein said step of comparing data provided by a plurality of market participants comprises the step of netting out middlemen to identify an end buyer and an end seller in a trade.

23. The method of claim 17, wherein said step of aggregating data is based on data that comprises the identity of a buy-side party for which a trade was executed.

24. The method of claim 18, wherein said step of comparing data provided by a plurality of market participants comprises the step of calculating the total number of shares bought or sold by a buy-side party for which a trade was executed through one or more intermediaries.

25. A method as in claim 2, further comprising the steps of:

(c) ranking market participants on said targeted dissemination list in order of likelihood of taking the contra side of said electronically executable order; and

(d) if said identified second market participant does not execute said electronically executable order, successively routing said electronically executable order to the remaining market participants on said ranked targeted dissemination list, in order of likelihood of taking the contra side of said electronically executable order, until said electronically executable order is executed.

26. A method as in claim 25, wherein said ranking is based on probability of execution.

27. A method as in claim 26, wherein said probability of execution is calculated based on a count of number of orders delivered versus number of executions for different types of orders.

28. A method as in claim 26, wherein said probability of execution is calculated based on comparing the past behavior of market participants after they received notifications or orders.

29. A method as in claim 26, wherein said probability of execution is calculated based on comparing the past behavior of market participants after they received electronically executable orders.

30. A method as in claim 26, further comprising the steps of monitoring price fluctuation following order delivery to a market center and identifying statistically significant correlations between order delivery events and subsequent price fluctuations on a market.

31. A method of managing market information, comprising the steps of:

- (a) electronically receiving data including confidential information regarding market participants;
- (b) electronically storing said received data regarding market participants;
- (c) electronically receiving an order-related query from a first market participant;
- (d) based on said received data regarding market participants, calculating an estimate of a probability of execution if the order were routed to market participants based on said query; and
- (e) electronically reporting said probability to said first market participant.

32. A method as in claim 31, wherein said probability of execution is calculated based on a count of number of orders delivered versus number of executions for different types of orders.

33. A method as in claim 31, further comprising the step of electronically reporting an estimate of the price impact following the delivery of an order based on said query to said first market participant.

34. A method of managing orders in a securities market, comprising the steps of:

- (a) electronically receiving data comprising an electronically executable order from a first market participant;

- (b) electronically storing said received data in a database;
- (c) electronically receiving from a second market participant data comprising one or more conditions on orders;
- (d) searching said database for electronically executable orders that satisfy said conditions;
- (e) electronically designating electronically executable orders found in said search as being reserved, said designated electronically executable orders comprising said electronically executable order received from said first market participant; and
- (f) electronically routing said designated electronically executable orders to said second market participant.

35. The method of claim 34, further comprising the step of electronically receiving data comprising order status information from said second market participant.

36. The method of claim 35, further comprising the step of reporting order execution to said first market participant if said order status information indicates that said electronically executable order received from said first market participant was executed.

37. The method of claim 35, further comprising the step of removing the designation of being reserved from an order if said order status information indicates that the order was released by said second market participant.

38. A method of managing orders in a market, comprising the steps of:

- (a) electronically receiving data regarding a first market participant, said data comprising one or more call auction event times;
- (b) electronically storing said received data regarding said first market participant;
- (c) electronically receiving an electronically executable order from a second market participant; and
- (d) routing said electronically executable order to said first market participant at a time within a configurable time window surrounding one of said one or more call auction event times.

39. (New) A method as in claim 22, wherein said second market participant is a market maker, and wherein said step of comparing data provided by a plurality of market participants comprises the step of netting out middlemen to identify an end buyer and an end seller in a trade results in identifying net market position of said market maker.

## **Evidence Appendix**

None.

## **Related Proceedings Appendix**

None.